

**CLOVERPORT INDEPENDENT
SCHOOL DISTRICT
AUDIT REPORT
JUNE 30, 2015**

TABLE OF CONTENTS

Independent Auditor's Report	1-3
Management Discussion and Analysis	4-10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Position – Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Statement of Fiduciary Net Position – Fiduciary Funds	20
Statement of Revenues, Expenses and Changes in Net Position – Fiduciary Funds	21
Notes to Basic Financial Statements	22-42
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	43
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	44
Schedule of District's Proportionate Share of Net Pension Liability – Kentucky Teachers' Retirement System	45

TABLE OF CONTENTS (CONTINUED)

Schedule of District's Proportionate Share of Net Pension Liability – County Employees Retirement System	46
Notes to Required Supplementary Information – District's Proportionate Share of Net Pension Liabilities	47-48
Other Supplementary Information:	
Combining Statement – Non-Major Funds:	
Combining Balance Sheet – Non-Major Governmental Funds	49
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	50
Combining Statement of Revenues, Expenditures and Fund Balances – Agency Funds	51
Statement of Receipts, Disbursements and Fund Balance – High School Activity Fund	52
Schedule of Expenditures of Federal Awards	53
Notes to Schedule of Expenditures of Federal Awards	54
Schedule of Findings and Questioned Costs	55
Schedule of Prior Year Audit Findings	56
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57-58
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	59-60
Management Letter Comments	61-62
Letter to Those Charged with Governance	63-65

WHITE AND COMPANY, P.S.C.
Certified Public Accountants
219 South Proctor Knott Avenue
Lebanon, Kentucky 40033
(270) 692-2102
Fax (270) 692-2101

Charles M. White, CPA
Joseph A. Montgomery, CPA
Stephanie A. Abell, CPA

Email charles.white@whitecpas.com

October 13, 2015

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Cloverport Independent School District
214 West Main, P.O. Box 37
Cloverport, KY 40111

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cloverport Independent School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Cloverport Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cloverport Independent School District as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note A to the financial statements, in 2015, the Cloverport Independent School District adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and schedules of district's proportionate share of net pension liabilities on Pages 4 through 10, 42 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cloverport Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, and the statement of receipts, disbursements and fund balance – High School Activity Fund are presented for the purpose of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the statement of receipts, disbursements and fund balance – High School Activity Fund, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial

statements, statement of receipts, disbursements and fund balance – High School Activity Fund and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 13, 2015, on our consideration of Cloverport Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cloverport Independent School District's internal control over financial reporting and compliance.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

CLOVERPORT INDEPENDENT SCHOOL DISTRICT – CLOVERPORT, KY MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) YEAR ENDED JUNE 30, 2015

As management of the Cloverport Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

FINANCIAL HIGHLIGHTS

- The June 30, 2015 cash balance for the District was \$2,414,638, as compared with the beginning cash balance of \$959,086. The ending cash balance consists of General Fund of \$845,668, Special Revenue of \$0, Capital Outlay of \$0, Building (FSPK) Fund of \$0, Construction Fund of \$1,550,588, Food Service of \$8,736 and Community Education of \$9,646.
- District-wide net position increased \$87,793 during the 2015 fiscal year. Total long-term obligations had a net increase of \$2,286,623.
- The General Fund had \$3,437,328 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. There were \$3,686,319 in General Fund expenditures.
- General Fund revenue increased \$432,906 from last fiscal year and General Fund expenses increased \$679,992.
- The financial statements reflect revenues of \$1,089,410 from the state on-behalf of District employees for retirement contributions, health insurance, administration fees, debt service and technology with a like amount of expenses recorded.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements

The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our community education and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13-20 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

The notes to the financial statements can be found on pages 21-41 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$1,332,075 as of June 30, 2015.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2015 and June 30, 2014

A comparison of June 30, 2015 and June 30, 2014 government-wide net position is as follows:

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and Other Assets	\$ 2,874,173	\$ 1,447,425	\$ 20,915	\$ 12,750	\$ 2,895,088	\$ 1,460,175
Capital Assets	6,472,773	6,270,599	124,829	144,602	6,597,602	6,415,201
Total Assets	<u>9,346,946</u>	<u>7,718,024</u>	<u>145,744</u>	<u>157,352</u>	<u>9,492,690</u>	<u>7,875,376</u>
Deferred Outflows	<u>113,728</u>	<u>19,121</u>	<u>-</u>	<u>-</u>	<u>113,728</u>	<u>19,121</u>
Current Liabilities	822,765	664,752	77	4,840	822,842	669,592
Non-Current Liabilities	7,358,501	5,121,623	-	-	7,358,501	5,121,623
Total Liabilities	<u>8,181,266</u>	<u>5,786,375</u>	<u>77</u>	<u>4,840</u>	<u>8,181,343</u>	<u>5,791,215</u>
Deferred Inflows	<u>93,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,000</u>	<u>-</u>
Net Position						
Investment in capital assets (net of related debt)	922,822	936,147	124,829	144,602	1,117,651	1,080,749
Restricted	1,774,536	363,450	-	-	1,774,536	363,450
Other Purposes	-	-	20,838	7,910	20,838	7,910
Unrestricted	<u>(1,580,950)</u>	<u>651,173</u>	<u>-</u>	<u>-</u>	<u>(1,580,950)</u>	<u>651,173</u>
Total Net Position	<u>\$ 1,186,408</u>	<u>\$ 1,950,770</u>	<u>\$ 145,667</u>	<u>\$ 152,512</u>	<u>\$ 1,332,075</u>	<u>\$ 2,103,282</u>

The following table presents changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
REVENUES						
Program revenues						
Charges for services	1,360	5,770	63,183	61,619	64,543	67,389
Operating grants/Contributions	829,536	848,959	214,560	202,427	1,044,096	1,051,386
Fund transfers/gain loss	1,532	(12,446)	-	8,251	1,532	(4,195)
General revenues						
Property taxes	197,577	174,187	-	-	197,577	-
Motor vehicle taxes	52,164	53,414	-	-	52,164	50,734
Utility Taxes	48,646	64,739	-	-	48,646	-
Taxes, Other	6,084	20,079	-	-	6,084	312,419
Investment earnings	4,329	47,716	-	-	4,329	47,716
State and formula grants	3,207,432	3,110,957	-	-	3,207,432	3,110,657
Capital Grants and Contributions	159,117	-	-	-	159,117	-
Miscellaneous	153,804	104,444	-	-	153,804	104,444
Total revenues	<u>4,661,581</u>	<u>4,417,819</u>	<u>277,743</u>	<u>272,297</u>	<u>4,939,324</u>	<u>4,690,116</u>
EXPENSES						
Instructional	2,311,737	2,390,595	-	-	2,311,737	2,390,595
Student support	257,598	234,429	-	-	257,598	234,429
Instructional staff Support	306,009	246,558	-	-	306,009	246,558
District administrative support	339,606	303,944	-	-	339,606	303,944
School administrative support	276,219	179,493	-	-	276,219	179,493
Business support	267,095	201,242	-	-	267,095	201,242
Plant operations and maintenance	371,343	312,035	-	-	371,343	312,035
Student transportation	166,098	164,459	-	-	166,098	164,459
Central Office	40	344	-	-	40	344
Food Service Operations	20,551	22,750	-	-	20,551	22,750
Community Service Operations	47,699	39,941	-	-	47,699	39,941
Other	49	-	-	-	49	-
Interest on Long Term Debt	202,899	205,911	-	-	202,899	205,911
Business-type Activities						
GED Testing Center	-	-	823	3,159	823	3,159
Food Service	-	-	283,765	278,659	283,765	278,659
Total expenses	<u>4,566,943</u>	<u>4,301,701</u>	<u>284,588</u>	<u>281,818</u>	<u>4,851,531</u>	<u>4,583,519</u>
Increase (decrease) in net position	<u>\$ 94,638</u>	<u>\$ 116,118</u>	<u>\$ (6,845)</u>	<u>\$ (9,521)</u>	<u>\$ 87,793</u>	<u>\$ 106,597</u>

On-behalf amounts are included in the above figures. On-behalf payments are payments the state makes on behalf of employees to the various agencies for health and life insurance, benefits, administration fees, technology and debt service. The total on-behalf payments for 2015 and 2014 were \$1,089,410 and \$950,784 respectively.

Governmental Activities

For the governmental program expenses instructional expenses comprise 51% of total expenses, support services equate to 45%, and interest and other expenses make up the remaining 4% of the total.

The cost of program services and the charges for services and grants offsetting those services are shown on the Statement of Activities. The Statement of activities identifies the net cost of services supported by tax revenue and unrestricted intergovernmental revenues (State entitlements).

	Governmental Activities Total		Governmental Activities Net	
	Cost of Services		Cost of Services	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Instructional	\$ 2,311,737	\$ 2,390,595	\$ 1,822,283	\$ 1,870,426
Support Services	1,984,008	1,642,504	1,704,289	1,371,214
Other	68,299	62,691	6,576	(579)
Interest Costs	<u>202,899</u>	<u>205,911</u>	<u>43,782</u>	<u>205,911</u>
Total Expenses	<u>\$ 4,566,943</u>	<u>\$ 4,301,701</u>	<u>\$ 3,576,930</u>	<u>\$ 3,446,972</u>

Business-Type Activities

The business type activities at the District are Food Service and Adult Education. These programs had total revenues of \$277,743 and expenses of \$284,588 for fiscal year 2015. These revenues were made up of \$63,183 charges for services and \$214,560 federal and state operating grants. These business-type activities receive no support from tax revenues, and, as such, the District will continue to monitor these activities and make the necessary adjustments to the operations of these activities.

The School District's Funds

The information relative to the School District's Funds starts on page 13. These funds use the modified accrual basis of accounting to account for each fund's revenues and expenses. The combined revenue for all governmental funds for 2015 was \$6,464,458 and expenditures were \$5,154,242. The net change in fund balance was an increase of \$1,310,216.

General Fund Budgetary Highlights

The District's budget is based on accounting for certain transactions on the cash basis for receipts and expenditures and encumbrances and is prepared according to Kentucky law. The Kentucky Department of Education requires a zero-based budget with any remaining fund balance to be shown as a contingency expense in the budgeting process.

The most significant budgeted fund is the General Fund. The General Fund had budgeted revenues of \$2,789,691 with actual results being \$3,315,942 for a favorable difference of \$526,251. Budgeted expenditures were \$3,538,482 compared to actual expenditures of \$3,538,482 for an unfavorable difference of \$107,313. Both differences were results of excess anticipated revenues and increased costs within the District.

Future Budgetary Implications

In Kentucky, the public schools fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District has adopted a budget for fiscal year 2015-2016 with a contingency in excess of the state minimum requirement.

Significant Board action that impacts the finances includes the Board's salary schedules which include a state mandated 2% raise for the 2015-2016 school year for both certified and classified staff. The State increased the SEEK base from \$3,911 to \$3,981 for FY 2016. Also, the District continues to experience growth in student numbers.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2015 fiscal year, the District had \$6,597,602 net of depreciation invested in a broad range of capital assets, including equipment, buses, buildings, and land. This amount represents a net increase of \$182,401. Depreciation expense for the year was \$359,314 and capital additions were \$542,107. During the year, assets costing \$27,590 were retired.

	Governmental Activities (Net of Depreciation)		Business - Type Activities (Net of Depreciation)		Total Primary Government (Net of Depreciation)	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 146,550	\$ 146,550	\$ -	\$ -	\$ 146,550	\$ 145,550
Construction in Progress	-	-	--	-	-	-
Land Improvements	2,975	3,825	-	-	2,975	3,825
Construction in Progress	284,556	-	-	-	284,556	-
Buildings and Improvements	5,417,873	5,605,213	-	-	5,417,873	5,605,213
Technology	280,833	284,177	2,561	3,898	283,394	288,075
Vehicles	203,369	111,431	-	-	203,369	111,431
General Equipment	136,617	119,403	122,268	140,704	258,885	260,107
Total	<u>\$ 6,472,773</u>	<u>\$ 6,270,599</u>	<u>\$ 124,829</u>	<u>\$ 144,602</u>	<u>\$ 6,597,602</u>	<u>\$ 6,415,201</u>

	Governmental Activities		Business - Type Activities		Total Primary Government	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Beginning Balance	\$ 6,270,599	\$ 6,476,420	\$ 144,601	\$ 167,985	\$ 6,415,200	\$ 6,644,405
Additions	538,196	117,940	3,911	-	542,107	117,940
Retirements	(391)	(5,375)	-	-	(391)	(5,375)
Depreciation	<u>(335,631)</u>	<u>(318,386)</u>	<u>(23,683)</u>	<u>(23,384)</u>	<u>(359,314)</u>	<u>(341,770)</u>
Ending Balance	<u>\$ 6,472,773</u>	<u>\$ 6,270,599</u>	<u>\$ 124,829</u>	<u>\$ 144,601</u>	<u>\$ 6,597,603</u>	<u>\$ 6,415,200</u>

Long-Term Debt

At June 30, 2015, the school district had \$6,599,589 in bonds outstanding, of which \$4,128,209 is to be paid from the SFCC funding provided by the State of Kentucky. A total of \$365,277 is due within one year.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers and other interested readers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District's Superintendent or Finance Director at (270) 788-3910.

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	2,396,256	18,382	2,414,638
Investments - Note D	349,093		349,093
Accounts Receivable:			
Taxes - Current	5,493		5,493
Taxes - Delinquent	546		546
Intergovernmental - State	15,945		15,945
Intergovernmental - Federal	106,840		106,840
Inventories for Consumption		2,533	2,533
Total Current Assets	2,874,173	20,915	2,895,088
Noncurrent Assets - Note G			
Land	146,550		146,550
Buildings & Improvements	7,368,538		7,368,538
Furniture & Equipment	1,688,921	295,479	1,984,400
Construction in Progress	284,556		284,556
Less: Accumulated Depreciation	(3,015,792)	(170,650)	(3,186,442)
Total Noncurrent Assets	6,472,773	124,829	6,597,602
TOTAL ASSETS	9,346,946	145,744	9,492,690
Deferred Outflows Related to Pensions	97,282		97,282
Deferred Outflows Related to Bond Refundings	16,446		16,446
TOTAL ASSETS AND DEFERRED OUTFLOWS	9,460,674	145,744	9,606,418
LIABILITIES:			
Current Liabilities:			
Accounts Payable	145,746	77	145,823
Accrued Salaries & Sick Leave - Note A	161,866		161,866
Advances from Grantors	43,848		43,848
Bond Obligations - Note E	365,277		365,277
Capital Lease Obligation - Note F	27,436		27,436
Accrued Interest Payable	78,592		78,592
Total Current Liabilities	822,765	77	822,842
Noncurrent Liabilities:			
Bond Obligations - Note E	6,234,312		6,234,312
Capital Lease Obligation - Note F	151,332		151,332
Net Pension Liability	833,000		833,000
Accrued Sick Leave - Note A	139,857		139,857
Total Noncurrent Liabilities	7,358,501		7,358,501
TOTAL LIABILITIES	8,181,266	77	8,181,343
Deferred Inflows Related to Pensions	93,000		93,000
TOTAL LIABILITIES AND DEFERRED INFLOWS	8,274,266	77	8,274,343
NET POSITION:			
Net Investment in Capital Assets	992,822	124,829	1,117,651
Restricted for:			
Science Program	349,093		349,093
Capital Projects	1,425,443		1,425,443
Other Purposes		20,838	20,838
Unrestricted	(1,580,950)		(1,580,950)
TOTAL NET POSITION	1,186,408	145,667	1,332,075
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	9,460,674	145,744	9,606,418

See independent auditor's report and accompanying notes to financial statements.

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

FUNCTION/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instructional	2,311,737	1,360	488,094		(1,822,283)		(1,822,283)
Support Services:							
Student Support Services	257,598		74,658		(182,940)		(182,940)
Staff Support Services	306,009		160,619		(145,390)		(145,390)
District Administration	339,606				(339,606)		(339,606)
School Administration	276,219				(276,219)		(276,219)
Business Support Services	267,095		22,966		(244,129)		(244,129)
Plant Operation & Maintenance	371,343		19,121		(352,222)		(352,222)
Student Transportation	166,098		2,355		(163,743)		(163,743)
Central Office	40				(40)		(40)
Food Service Operations	20,551		18,562		(1,989)		(1,989)
Community Service Operations	47,699		43,161		(4,538)		(4,538)
Facilities Acquisition and Construction	49				(49)		(49)
Interest on Long-Term Debt	202,899			159,117	(43,782)		(43,782)
TOTAL GOVERNMENTAL ACTIVITIES	4,566,943	1,360	829,536	159,117	(3,576,930)		(3,576,930)
BUSINESS-TYPE ACTIVITIES:							
GED Testing Center	823	3,000				2,177	2,177
Food Service	283,765	60,183	214,560			(9,022)	(9,022)
TOTAL BUSINESS-TYPE ACTIVITIES	284,588	63,183	214,560	0	0	(6,845)	(6,845)
TOTAL SCHOOL DISTRICT	4,851,531	64,543	1,044,096	159,117	(3,576,930)	(6,845)	(3,583,775)
GENERAL REVENUES:							
Taxes:							
Property					197,577		197,577
Motor Vehicle					52,164		52,164
Utility					48,646		48,646
Other					6,084		6,084
State Aid - Formula Grants					3,207,432		3,207,432
Investment Earnings					4,329		4,329
Miscellaneous					153,804		153,804
SPECIAL ITEMS:							
Loss Compensation					1,923		1,923
Gain(Loss) Sale of Assets					(391)		(391)
TOTAL GENERAL & SPECIAL					3,671,568	0	3,671,568
CHANGE IN NET POSITION					94,638	(6,845)	87,793
NET POSITION, BEGINNING OF YEAR, AS RESTATED - NOTE H					1,091,770	152,512	1,244,282
NET POSITION - ENDING					1,186,408	145,667	1,332,075

See independent auditor's report and accompanying notes to financial statements.

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	GENERAL FUND	SPECIAL REVENUE	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash & Cash Equivalents	845,668		1,550,588		2,396,256
Investments	349,093				349,093
Due from Other Funds	78,687				78,687
Accounts Receivable:					
Taxes - Current	5,493				5,493
Taxes - Delinquent	546				546
Intergovernmental - State		15,945			15,945
Intergovernmental - Federal		106,840			106,840
TOTAL ASSETS	<u>1,279,487</u>	<u>122,785</u>	<u>1,550,588</u>	<u>0</u>	<u>2,952,860</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts Payable	20,351	250	125,145		145,746
Due to Other Funds		78,687			78,687
Accrued Salaries & Sick Leave	161,866				161,866
Advances from Grantors		43,848			43,848
Total Liabilities	<u>182,217</u>	<u>122,785</u>	<u>125,145</u>	<u>0</u>	<u>430,147</u>
Fund Balance:					
Restricted for:					
Science Program	349,093				349,093
Construction			1,425,443		1,425,443
Assigned for:					
Sickleave	139,857				139,857
Purchase Obligations	25,165				25,165
Unassigned Fund Balance	583,155				583,155
Total Fund Balance	<u>1,097,270</u>	<u>0</u>	<u>1,425,443</u>	<u>0</u>	<u>2,522,713</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>1,279,487</u>	<u>122,785</u>	<u>1,550,588</u>	<u>0</u>	<u>2,952,860</u>

See independent auditor's report and accompanying notes to financial statements.

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

Amounts reported for governmental activities in the statement of net position are different because:

TOTAL GOVERNMENTAL FUND BALANCE		2,522,713
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	9,488,565	
Accumulated Depreciation	<u>(3,015,792)</u>	6,472,773
Deferred Outflows on Bond Refundings are not a current asset and therefore are not reported as assets in governmental funds.		16,446
Deferred Outflows Related to Pensions are not a current asset and therefore are not reported as assets in governmental funds.		97,282
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds Payable	(6,599,589)	
Capital Lease Obligation	(178,768)	
Net Pension Liability	(833,000)	
Accrued Interest on Bonds	(78,592)	
Accrued Sick Leave	<u>(139,857)</u>	(7,829,806)
Deferred Inflows Related to Pensions are not a current liabilities and therefore are not reported as liabilities in governmental funds.		<u>(93,000)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>1,186,408</u></u>

See independent auditor's report and accompanying notes to financial statements.

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	GENERAL	SPECIAL REVENUE	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Taxes:					
Property	177,621			19,956	197,577
Motor Vehicle	52,164				52,164
Utility	48,646				48,646
Other	6,084				6,084
Earnings on Investments	4,281		48		4,329
Intergovernmental - State	2,786,665	230,833		579,883	3,597,381
Intergovernmental - Federal	20,354	578,349			598,703
Other Sources	54,945	100,219			155,164
TOTAL REVENUES	3,150,760	909,401	48	599,839	4,660,048
EXPENDITURES:					
Instructional	1,703,223	540,399			2,243,622
Support Services:					
Student Support Services	153,156	83,077			236,233
Staff Support Services	121,499	177,831			299,330
District Administration	331,264				331,264
School Administration	271,025				271,025
Business Support Services	230,120	25,427			255,547
Plant Operation & Maintenance	334,397	21,170			355,567
Student Transportation	255,067	2,607			257,674
Food Service Operations		20,551			20,551
Community Service Operations		47,369			47,369
Facilities Acquisition & Construction			284,605		284,605
Debt Service:					
Principal				358,582	358,582
Interest				192,873	192,873
TOTAL EXPENDITURES	3,399,751	918,431	284,605	551,455	5,154,242
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	(248,991)	(9,030)	(284,557)	48,384	(494,194)
OTHER FINANCING SOURCES(USES):					
Loss Compensation	1,923				1,923
Proceeds from Sale of Bonds			1,710,000		1,710,000
Capital Lease Proceeds	92,487				92,487
Operating Transfers In - Note O	70,772	11,030		134,720	216,522
Operating Transfers Out - Note O	(31,418)	(2,000)		(183,104)	(216,522)
TOTAL OTHER FINANCING SOURCES	133,764	9,030	1,710,000	(48,384)	1,804,410
NET CHANGE IN FUND BALANCES	(115,227)	0	1,425,443	0	1,310,216
FUND BALANCES - BEGINNING	1,212,497	0	0	0	1,212,497
FUND BALANCES - ENDING	1,097,270	0	1,425,443	0	2,522,713

See independent auditor's report and accompanying notes to financial statements.

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Amounts reported for governmental activities in the statement of net position are different because:

NET CHANGES - GOVERNMENTAL FUNDS		1,310,216
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.</p>		
Depreciation Expense	(335,631)	
Capital Outlays	<u>538,196</u>	202,565
<p>Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Principal Paid	358,582	
Capital Lease Proceeds	(92,487)	
Bond Proceeds	<u>(1,710,000)</u>	(1,443,905)
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
Amortization-Deferred Outflow on Bond Refundings	(2,676)	
District Pension Contributions	97,282	
Cost of Benefits Earned Net of Employee Contributions	(67,000)	
Accrued Interest Payable	(7,350)	
Accrued Sick Leave	<u>5,897</u>	26,153
<p>In the statement of activities the net gain on the sale/disposal of assets is reported in whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net position differs from change in fund balances by the cost of the asset sold.</p>		
Gain (Loss)- Sale of Assets		<u>(391)</u>
CHANGES - NET POSITION GOVERNMENTAL FUNDS		<u><u>94,638</u></u>

See independent auditor's report and accompanying notes to financial statements.

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	ENTERPRISE FUNDS		
	FOOD SERVICE	GED TESTING CENTER	TOTAL
ASSETS:			
Current Assets:			
Cash & Cash Equivalents	8,736	9,646	18,382
Inventories for Consumption	2,533		2,533
Total Current Assets	11,269	9,646	20,915
Noncurrent Assets:			
Furniture & Equipment	295,479		295,479
Less: Accumulated Depreciation	(170,650)		(170,650)
Total Noncurrent Assets	124,829	0	124,829
TOTAL ASSETS	136,098	9,646	145,744
LIABILITIES:			
Current Liabilities:			
Account Payable	77		77
Total Current Liabilities	77	0	77
Net Position:			
Net Investment in Capital Assets	124,829	0	124,829
Restricted	11,192	9,646	20,838
Total Net Position	136,021	9,646	145,667
TOTAL LIABILITIES AND NET POSITION	136,098	9,646	145,744

See independent auditor's report and accompanying notes to financial statements.

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	ENTERPRISE FUNDS		
	FOOD SERVICE	GED TESTING CENTER	TOTAL
OPERATING REVENUES:			
Lunchroom Sales	60,183		60,183
Other Operating Revenues		3,000	3,000
TOTAL OPERATING REVENUES	60,183	3,000	63,183
OPERATING EXPENSES:			
Salaries & Benefits	108,783	373	109,156
Contract Services	4,079		4,079
Materials & Supplies	147,008	450	147,458
Depreciation - Note F	23,683		23,683
Other Operating Expenses	212		212
TOTAL OPERATING EXPENSES	283,765	823	284,588
OPERATING INCOME(LOSS)	(223,582)	2,177	(221,405)
NONOPERATING REVENUES(EXPENSES):			
Federal Grants	184,127		184,127
State Grants	16,590		16,590
Donated Commodities	13,843		13,843
TOTAL NONOPERATING REVENUE	214,560	0	214,560
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(9,022)	2,177	(6,845)
CAPITAL CONTRIBUTIONS			0
CHANGE IN NET POSITION	(9,022)	2,177	(6,845)
TOTAL NET POSITION - BEGINNING	145,043	7,469	152,512
TOTAL NET POSITION - ENDING	136,021	9,646	145,667

See independent auditor's report and accompanying notes to financial statements.

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	FOOD SERVICE FUND	GED TESTING CENTER	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Lunchroom Sales	60,183		60,183
Other Activities		3,000	3,000
Cash Paid to/for:			
Employees	(94,565)	(373)	(94,938)
Supplies	(137,827)	(450)	(138,277)
Other Activities	(4,291)		(4,291)
Net Cash Provided (Used) by Operating Activities	(176,500)	2,177	(174,323)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:			
Federal Grants	186,775		186,775
State Grants	2,372		2,372
Net Cash Provided by Non-Capital and Related Financing Activities	189,147	0	189,147
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchases of Capital Assets	(3,911)		0
CASH FLOWS FROM INVESTING ACTIVITIES			0
Net Increase in Cash and Cash Equivalents	8,736	2,177	10,913
Balances, Beginning of Year	0	7,469	7,469
Balances, End of Year	8,736	9,646	18,382
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	(223,582)	2,177	(221,405)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities			
Depreciation	23,683		23,683
State On-Behalf Payments	14,218		14,218
Donated Commodities	13,843		13,843
Change in Assets and Liabilities:			
Inventory	101		101
Accounts Payable	(4,763)		(4,763)
Net Cash Provided (Used) by Operating Activities	(176,500)	2,177	(174,323)
Schedule of Non-Cash Transactions:			
Donated Commodities	13,843	0	13,843
State On-Behalf Payments	14,218	0	14,218

See independent auditor's report and accompanying notes to financial statements.

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	AGENCY FUNDS		
	<u>SCHOOL ACTIVITY FUNDS</u>	<u>OTHER</u>	<u>TOTAL</u>
ASSETS:			
Cash and Cash Equivalents	<u>43,944</u>	<u>91,902</u>	<u>135,846</u>
TOTAL ASSETS	<u>43,944</u>	<u>91,902</u>	<u>135,846</u>
LIABILITIES:			
Due to Scholarship Recipients	0	91,902	91,902
Due to Student Groups	<u>43,944</u>	<u>0</u>	<u>43,944</u>
TOTAL LIABILITIES	<u>43,944</u>	<u>91,902</u>	<u>135,846</u>
NET POSITION IN TRUST	<u>0</u>	<u>0</u>	<u>0</u>

See independent auditor's report and accompanying notes to financial statements.

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
ADDITIONS:	
Earnings on Investments	475
DEDUCTIONS:	
Benefits Paid	<u>0</u>
Changes in Net Position	475
NET POSITION HELD IN TRUST - BEGINNING OF YEAR	<u>91,427</u>
NET POSITION HELD IN TRUST - END OF YEAR	<u><u>91,902</u></u>

See independent auditor's report and accompanying notes to financial statements.

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Cloverport Independent Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Cloverport Independent Board of Education (“District”). The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Cloverport Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements:

Cloverport Independent Board of Education Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Cloverport Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified on pages 52 and 53 in the Schedule of Expenditures of Federal Awards and related notes. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

D. Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- B. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organization, or other governments.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Nonexchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

Proprietary Fund operating revenues are defined as revenues received from the direct purchases of products and services (i.e. food service). Non-operating revenues are not related to direct purchases of products; for the District, these revenues are typically investment income and state and federal grant revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2015, to finance the General Fund operations were \$0.647 per \$100 valuation for real property, \$0.647 per \$100 valuation for business personal property, and \$0.569 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gases.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	Governmental Activities Estimated Lives
Buildings and improvements	25-50 years
Land improvements	10-20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
General equipment	7 years

Interfund Balances

On fund financial statements, receivables and payable resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will received from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

Budgetary Process

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Position.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, which is the School Board, and this does not lapse at year-end. Formal School Board action must be taken during an open meeting to establish, modify, or rescind a fund balance commitment.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District had no committed fund balance at year end.

The District uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the District would first use *committed*, then *assigned*, and lastly *unassigned* amounts for unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

Major Special Revenue Fund

Special Revenue

Revenue Source

State, Local and Federal Grants

Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Changes in Accounting Principle

Effective July 1, 2014, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. See Note H for the impact of the adoption of this standard on beginning net position.

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits. Custodial Credit is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

At year-end, the carrying amount of the District's total cash and cash equivalents was \$2,550,484. Of the total cash balance, \$250,000 was covered by Federal Depository Insurance and \$1,020,000 was covered by collateral agreements and \$1,280,484 was not covered by Federal Depository Insurance or collateral agreements. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

Cash and cash equivalents at June 30, 2015, consisted of the following:

	Bank Balance	Book Balance
Hancock Bank and Trust	2,660,701	2,550,484

Breakdown per financial statements:

Governmental Funds	2,396,256
Proprietary Funds	<u>18,382</u>
Subtotal	2,414,638
Agency Funds	<u>135,846</u>
Total Cash & Cash Equivalents – All Funds	<u>2,550,484</u>

NOTE D – INVESTMENTS

The District is the only beneficiary of the Cornelia W. Fraize Charitable Trust, which has been in existence for more than 70 years. The trust requires that earnings be used to provide a science program for the school.

The trust principal is invested in mutual funds not held for trading purposes. Due to the number of years of activity, it is not possible to determine the cost basis of the investments. The fair value at year end was \$349,093, which is estimated based on adjusted quoted market prices for identical assets. The value at the beginning of the fiscal year was \$363,450, with current year investment gain of \$3,842. Distributions were received in the amount of \$15,738 and trust fees were paid in the amount of \$2,461.

While such investments are not in conformity with state law or District policy, the assets are in trust, and the trustee makes all investment decisions.

NOTE E – LONG TERM OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Cloverport Independent School District Finance Corporation aggregating \$9,033,246.

The original amount of each issue and interest rates are summarized below:

2004	1,190,000	1.15% - 4.40%
2008	5,000,000	3.25% - 3.85%
2009	248,246	1.00% - 3.25%
2010	885,000	1.80% - 4.00%
2015	1,710,000	2.10% - 3.30%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The District, through the General Fund (including utility taxes and the SEEK Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Cloverport Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District has “participation agreements” with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local schools districts in meeting school construction needs. The table sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued. The Kentucky School Construction Commission’s participation is limited to the biennial budget period of the Commonwealth of Kentucky with the right reserved by the Kentucky School Construction Commission to terminate the commitment to pay the agreed participation every two years. The obligation of the Kentucky School Construction Commission to make the agreed payments automatically renews each two years for a period of two years unless the Kentucky School Construction Commission gives notice of its intention not to participate not less than sixty days prior to the end of its biennium.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2015, for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Participation</u>	<u>District's Portion</u>
2015-16	365,277	226,416	424,606	167,087
2016-17	374,704	217,800	421,437	171,067
2017-18	384,096	205,778	421,666	168,208
2018-19	400,512	193,216	421,797	171,931
2019-20	385,000	180,318	395,997	169,321
2020-21	400,000	167,018	395,995	171,022
2021-22	410,000	153,178	395,996	167,182
2022-23	425,000	138,567	395,996	167,570
2023-24	440,000	123,265	395,996	167,270
2024-25	430,000	107,875	367,052	170,823
2025-26	445,000	92,455	367,106	170,349
2026-27	460,000	75,605	367,319	168,286
2027-28	480,000	58,078	366,599	171,478
2028-29	175,000	39,700	46,326	168,374
2029-30	185,000	33,370	46,326	172,044
2030-31	180,000	26,875	33,086	173,789
2031-32	155,000	21,780	8,520	168,260
2032-33	160,000	16,665	8,521	168,144
2033-34	170,000	11,385	8,521	172,864
2034-35	175,000	5,775	8,520	172,255
	<u>6,599,589</u>	<u>2,095,117</u>	<u>5,297,380</u>	<u>3,397,326</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Long-term liability activity for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
Governmental Activities:					
Revenue Bonds Payable	5,231,141	1,710,000	341,552	6,599,589	365,277
Capital Lease Obligations	103,311	92,487	17,030	178,768	27,436
Accrued Sick Leave	<u>179,854</u>	<u>12,852</u>	<u>3,134</u>	<u>189,572</u>	<u>49,716</u>
Governmental Activities					
Long-Term Liabilities	<u>5,514,306</u>	<u>1,815,339</u>	<u>361,716</u>	<u>6,967,929</u>	<u>442,429</u>

NOTE F – CAPITAL LEASE PAYABLE

The District is the lessee of buses under capital leases expiring in various years through 2025. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense for fiscal year 2015.

The following is a summary of property held under capital leases:

<u>Classes of Property</u>	<u>Book Value as of June 30, 2015</u>
Buses	247,605
Accumulated Amortization	<u>(77,559)</u>
	<u>170,046</u>

The following is a schedule by years of the future principal payments under capital leases as of June 30, 2015:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2016	32,026
2017	32,017
2018	29,083
2019	26,074
2020	19,186
Thereafter	<u>60,434</u>
Net minimum lease payments	198,820
Amount representing interest	<u>(20,052)</u>
Present value of net minimum lease payments	<u>178,768</u>

Interest rates on capitalized leases vary from 1.00% to 3.90%. The capital leases provide for the buses to revert to the District at the end of the respective lease with no further payment for purchase.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Non-Depreciable Assets:				
Land	146,550			146,550
Construction in Progress		284,556		284,556
Depreciable Assets:				
Buildings & Building Improvements	7,368,538			7,368,538
Technology Equipment	640,386	101,434	27,590	714,230
Vehicles	397,075	121,987		519,062
General Equipment	425,410	30,219		455,629
TOTAL AT HISTORICAL COST	8,977,959	538,196	27,590	9,488,565
LESS ACCUMULATED DEPRECIATION FOR:				
Buildings & Building Improvements	1,759,500	188,190		1,947,690
Technology Equipment	356,209	104,387	27,199	433,397
Vehicles	285,644	30,049		315,693
General Equipment	306,007	13,005		319,012
TOTAL ACCUMULATED DEPRECIATION	2,707,360	335,631	27,199	3,015,792
GOVERNMENTAL ACTIVITIES CAPITAL NET	6,270,599	202,565	(391)	6,472,773
PROPRIETARY ACTIVITIES:				
Depreciable Assets:				
Technology Equipment	7,483			7,483
General Equipment	284,085	3,911		287,996
TOTALS AT HISTORICAL COST	291,568	3,911	-0-	295,479
LESS ACCUMULATED DEPRECIATION FOR:				
Technology Equipment	3,585	1,337		4,922
General Equipment	143,382	22,346		165,728
TOTAL ACCUMULATED DEPRECIATION	146,967	23,683	-0-	170,650
PROPRIETARY ACTIVITIES CAPITAL NET	144,601	(19,772)	-0-	124,829
DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:				
Instructional				222,879
Student Support Services				22,958
Staff Support Services				7,905
District Administration				10,486
School Administration				7,856
Business Support Services				13,501
Plant Operation & Maintenance				17,039
Student Transportation				32,637
Central Office				40
Community Service Operations				330
TOTAL				335,631

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H – CHANGES IN BEGINNING NET POSITION

Governmental Accounting Standards Board statement 68 requires changes to the beginning balances of the Statement of Net Position. Beginning net position of the government activities was decreased \$859,000 to reflect the District's proportionate share of the unfunded pension liability of the County Employee Retirement System.

Beginning Net Position as previously reported on June 30, 2014	\$ 1,950,770
Prior period adjustment – Implementation GASB 68:	
Net Pension Liability (measurement date)	(970,287)
Deferred outflows – District's contributions made during fiscal year 2014	<u>111,287</u>
Total prior period adjustment	<u>(859,000)</u>
Net Position as restated, July 1, 2014	<u>\$ 1,091,770</u>

NOTE I – RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous ("CERS")

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old OR age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service or 60 years old

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old OR age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not Available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions—Required contributions by the employee are based on the tier:

	Required Contributions
Tier 1	5%
Tier 2	5% +1% for insurance
Tier 3	5% +1% for insurance

General information about the Teachers' Retirement System of the State of Kentucky ("KTRS")

Plan description—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

Benefits provided—For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.105% of their salaries to the System. University employees are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan description—In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy—In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 833,000
Commonwealth's proportional share of the KTRS net pension liability associated with the District	<u>11,265,939</u>
	<u>\$ 12,098,939</u>

The net pension liability for each plan was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was 0.025679% percent.

For the year ended June 30, 2015, the District recognized pension expense of \$67,000 related to CERS and \$265,485 related to KTRS. The District also recognized revenue of \$265,485 for KTRS support provided by the Commonwealth. At June 30, 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	93,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	<u>97,282</u>	<u>-</u>
Total	<u>\$ 97,282</u>	<u>\$ 93,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

\$97,282 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	18,600
2017	18,600
2018	18,600
2019	18,600
2020	18,600

Actuarial assumptions—The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	KTRS
Inflation	3.50%	3.50%
Projected salary increases	4.50%	4.0-8.2%
Investment rate of return, net of investment expense & inflation	7.75%	7.50%

For CERS, Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

For KTRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 2016.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For KTRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	100.0%	

Discount rate—For CERS, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2036 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 4.35% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	725,516	833,000	940,484
KTRS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	-	-	-

Pension plan fiduciary net position—Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

NOTE J – CONTINGENCIES

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected, to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE K – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively related including Workers' Compensation insurance.

NOTE L – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District obtains quotes from commercial insurance companies. Currently, the District maintains insurance coverage through WRM America Insurance Company.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M – DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

Debt Service Fund	134,720
Food Service Fund	9,022
Special Revenue Fund	9,030
General Fund	248,991
Construction Fund	284,557

NOTE N – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the School District at risk for a substantial loss (contingency).

NOTE O – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	8,969
Operating	General	Special Revenue	Operations	2,061
Operating	Building Fund	Debt Service	Debt Service	75,743
Operating	SEEK	Debt Service	Debt Service	38,589
Operating	Special Revenue	General	Indirect Cost	2,000
Operating	General Fund	Debt Service	Debt Service	20,388
Operating	Building Fund	General	Operations	<u>68,772</u>
		Total Fund Transfers		<u>216,522</u>

NOTE P – INTERFUND RECEIVABLES AND PAYABLES

Most program costs in the Special Revenue Fund must be paid for by the District funds before reimbursement is requested from the Federal Government. The General Fund temporarily covered program expenditures, so an interfund balance resulted from the lag time between the dates expenditures were made and the date grant funds were received.

Interfund receivables and payables at year-end were as follows:

From: Special Revenue	To: General	\$78,687
-----------------------	-------------	----------

NOTE Q – SUBSEQUENT EVENTS

Management has reviewed subsequent events through October 13, 2015. There were no material subsequent events to disclose.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE R – ON-BEHALF PAYMENT

For the year ended June 30, 2015, \$1,089,410 in on-behalf payments were made by the Commonwealth of Kentucky for the benefit of the District. Payments for life insurance, health insurance, Kentucky teacher retirement matching pension contributions, and administrative fees were paid by the State for the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts. These payments were recorded as follows:

General Fund	\$ 658,457
Food Service Fund	14,218
Debt Service	<u>416,735</u>
Total	<u>\$ 1,089,410</u>

NOTE S – COMMITMENTS

At June 30, 2015 the District is in the process of renovating the school building. Construction for this project is ongoing as of the audit date. It is anticipated that the completion of the project will cost an additional \$1,741,083.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	261,145	259,145	284,515	25,370
Other Local Sources	3,000	3,000	4,281	1,281
State Sources	2,452,646	2,452,646	2,786,665	334,019
Federal Sources	16,000	16,000	20,354	4,354
Other Sources	56,900	58,900	220,127	161,227
TOTAL REVENUES	2,789,691	2,789,691	3,315,942	526,251
EXPENDITURES:				
Instructional	1,745,542	1,745,542	1,703,223	42,319
Student Support Services	158,279	158,279	153,156	5,123
Staff Support Services	112,449	112,449	121,499	(9,050)
District Administration	566,752	566,752	331,264	235,488
School Administration	241,492	241,492	271,025	(29,533)
Business Support Services	199,194	199,194	230,120	(30,926)
Plant Operation & Maintenance	341,997	341,997	334,397	7,600
Student Transportation	144,777	144,777	255,067	(110,290)
Debt Service:				0
Principal			0	0
Interest			0	0
Other	28,000	28,000	31,418	(3,418)
TOTAL EXPENDITURES	3,538,482	3,538,482	3,431,169	107,313
NET CHANGE IN FUND BALANCE	(748,791)	(748,791)	(115,227)	633,564
FUND BALANCES - BEGINNING	748,791	748,791	1,212,497	0
FUND BALANCES - ENDING	0	0	1,097,270	633,564

On-behalf payments totaling \$658,457 are not budgeted by the Cloverport Independent School District.

See independent auditor's report and accompanying notes to financial statements.

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Other Local Sources	85,000	80,000	100,219	20,219
State Sources	226,845	243,286	230,833	(12,453)
Federal Sources	399,589	521,827	578,349	56,522
Other Sources	6,000	8,969	11,030	2,061
TOTAL REVENUES	717,434	854,082	920,431	66,349
EXPENDITURES:				
Instructional	377,492	505,039	540,399	(35,360)
Student Support Services	72,958	68,701	83,077	(14,376)
Staff Support Services	175,779	174,058	177,831	(3,773)
District Administration				
School Administration				
Business Support Services	25,000	25,000	25,427	(427)
Plant Operation & Maintenance	1,000	6,000	21,170	(15,170)
Student Transportation		600	2,607	(2,007)
Food Service	20,000	20,000	20,551	(551)
Central Office				
Community Service Operations	45,205	50,035	47,369	2,666
Facility Acquisition & Construction				
Other		4,649	2,000	2,649
TOTAL EXPENDITURES	717,434	854,082	920,431	(66,349)
NET CHANGE IN FUND BALANCE	0	0	0	0
FUND BALANCES - BEGINNING	0	0	0	0
FUND BALANCES - ENDING	0	0	0	0

See accompanying auditor's report and accompanying notes to financial statements.

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>
District's proportion of net pension liability	0.0%
District's proportionate share of the net pension liability	\$ 0
State of Kentucky's share of the net pension liability associated with the District	<u>11,265,939</u>
Total	<u>\$ 11,265,939</u>
District's covered-employee payroll	\$ 1,954,742
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>
District's proportion of net pension liability	.025679%
District's proportionate share of the net pension liability	\$ 833,000
State of Kentucky's share of the net pension liability associated with the District	<u>0.00</u>
Total	<u>\$ 833,000</u>
District's covered-employee payroll	\$ 551,322
District's proportionate share of the net pension liability as a percentage of its covered-payroll	151.10%
Plan fiduciary net position as a percentage of the total pension liability	65.96%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015

KENTUCKY TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

The last experience investigation was prepared for the five-year period ending June 30, 2010, and based on the results of an actuarial study and adopted by the board on December 19, 2011.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined total pension liability is calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for the year ended June 30, 2015 reported in that schedule:

Valuation Date	June 30, 2013
Inflation	3.50 percent
Salary Increases	4.00 – 8.20 percent
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expense, Including Inflation	7.50 Percent
Municipal Bond Index Rate:	
Prior Measurement Date	4.27 Percent
Measurement Date	4.35 Percent
Year FNP is Projected to be Depleted	2036
Single Equivalent Interest Rate, Net of Pension Plan Investment Expense, Including Inflation:	
Prior Measurement Date	5.16 percent
Measurement Date	5.23 Percent
Post-Retirement Benefit Increases	1.50% annually

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

The last experience investigation was prepared for the five-year period ending June 30, 2008, and based on the results of an actuarial study and adopted by the board.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule are determined on a biennial basis beginning with the fiscal years ended 2014 and 2015, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the rates reported in that schedule:

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5 percent
Salary Increase	4.5 percent, average, including inflation
Investment Rate of Return	7.75 percent, net of pension plan investment expense, including inflation

OTHER SUPPLEMENTARY INFORMATION

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	SEEK CAPITAL OUTLAY FUND	BUILDING FUND	DEBT SERVICE FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
ASSETS:				
Cash & Cash Equivalents				
Accounts Receivable:				
Taxes				
Accounts				
TOTAL ASSETS	0	0	0	0
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable				
Accrued Sick Leave				
Deferred Revenues				
Total Liabilities	0	0	0	0
Fund Balances:				
Restricted for:				
Capital Projects				
Debt Service				
SFCC Escrow				
Committed for:				
Accrued Sick Leave				
Site Based Carryforward				
Other Purposes				
Assigned for:				
Purchase Obligations				
Unassigned Fund Balance				
Total Fund Balances	0	0	0	0
TOTAL LIABILITIES AND FUND BALANCES	0	0	0	0

See independent auditor's report and accompanying notes to financial statements.

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	SEEK CAPITAL OUTLAY FUND	\ BUILDING FUND	DEBT SERVICE FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES:				
Taxes		19,956		19,956
Intergovernmental - State	38,589	124,559	416,735	579,883
TOTAL REVENUES	38,589	144,515	416,735	599,839
EXPENDITURES:				
Debt Service:				
Principal			358,582	358,582
Interest			192,873	192,873
TOTAL EXPENDITURES	0	0	551,455	551,455
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	38,589	144,515	(134,720)	48,384
OTHER FINANCING SOURCES(USES):				
Operating Transfers In			134,720	134,720
Operating Transfers Out	(38,589)	(144,515)		(183,104)
TOTAL OTHER FINANCING SOURCES(USES)	(38,589)	(144,515)	134,720	(48,384)
NET CHANGE IN FUND BALANCES	0	0	0	0
FUND BALANCES - BEGINNING	0	0	0	0
FUND BALANCES - ENDING	0	0	0	0

See independent auditor's report and accompanying notes to financial statements.

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	FUND BALANCE JULY 1, 2014	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2015
Cloverport School Activity Funds	<u>53,966</u>	<u>154,748</u>	<u>164,770</u>	<u>43,944</u>
Total Activity Funds (Due to Student Groups)	<u><u>53,966</u></u>	<u><u>154,748</u></u>	<u><u>164,770</u></u>	<u><u>43,944</u></u>

See independent accountant's report and accompanying notes to financial statements.

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
SCHOOL ACTIVITY FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	CASH BALANCE JULY 1, 2014	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2015	ACCOUNTS RECEIVABLE JUNE 30, 2015	ACCOUNTS PAYABLE JUNE 30, 2015	FUND BALANCE JUNE 30, 2015
General Fund	10,824	5,821	11,401	5,244			5,244
Athletic Account	15,552	38,191	45,919	7,824			7,824
Preschool Room Account	231	515	402	344			344
Fundraiser Account	0	40,649	40,649	0			0
High School Academic	0	111	82	29			29
Elementary Academic	68	178	243	3			3
Middle School Academic	5		5	0			0
Drama	32	5,041	3,976	1,097			1,097
Business Club	533	171	249	455			455
Aces Items Fundraiser	0	2,000	1,977	23			23
Boys will be Boys	155		15	140			140
ACES Account	426	3,570	2,847	1,149			1,149
Gifted/Talented	16	1,158	720	454			454
Girl Power	1,049		24	1,025			1,025
Physical Ed	0	446	189	257			257
Seibert Room Account	0	150		150			150
Yearbook	1,462	4,465	3,571	2,356			2,356
Art Fund	461	743	1,086	118			118
Girls Basketball	225			225			225
Ace Academy Printing	1,629		1,629	0			0
Ace Academy Daily	3,061		3,061	0			0
FFHS Student Council	122			122			122
Kindergarten	97	919	749	267			267
First Grade	305	844	1,149	0			0
Second Grade	0	1,111	1,111	0			0
Third Grade	29	1,070	1,036	63			63
Fourth Grade	263	785	494	554			554
Fifth Grade	0	1,200	950	250			250
Sixth Grade	289	326	326	289			289
Seventh Grade	533	81	140	474			474
Eight Grade	179	436	437	178			178
Popham Room	0	839	831	8			8
Lyles Room	0	1,081	1,081	0			0
Wells Room	0	615	317	298			298
Robinson Room	0	615	140	475			475
Embry Room Account	288	980	1,205	63			63
Dolly Parton Imagination	293	350	479	164			164
Learning Village	6			6			6
Golf Account	40			40			40
Bishop Room	274	799	517	556			556

Community Involvement	0	245	155	90			90
Band/Music	394	1,095	1,406	83			83
ASAP Grant Fund	1,999	1,000	1,138	1,861			1,861
Fall Festival	0	5,980	5,980	0			0
Y Club	17	1,805	1,390	432			432
Family Resource	1,553	1,372	1,643	1,282			1,282
Special Education	126	139	209	56			56
BackPack Food Program	311	1,502	1,289	524			524
Gibson Room	0	414	142	272			272
Library	329	5,264	5,267	326			326
Practical Living	174		33	141			141
Supply World	250			250			250
Boyd Room	0	275	150	125			125
Marvel Room	0	519	17	502			502
Cliburn Room	0	150		150			150
Emmick Room	0	150		150			150
Henning Room	0	150	130	20			20
Cook Room	0	150	100	50			50
Middle School Cheer	193	1,625	1,629	189			189
High School Cheer	571	3,462	2,526	1,507			1,507
Fall Festival Royalty	0	1,864	1,864	0			0
HS Boys Basketball	0	5,084	4,695	389			389
Beta Club	0	1,676	764	912			912
Concession Stand	1,000	15,992	15,992	1,000			1,000
Track	156	125	200	81			81
Ace Snacks	1,000	9,404	9,404	1,000			1,000
Project Graduation	2,305	2,899	2,381	2,823			2,823
Staff Generated	707	2,722	2,179	1,250			707
Flower Fund	261		261	0			0
Alysia Booth Account	0	42		42			42
Class of 2015	1,888	698	2,586	0			0
Class of 2016	1,258	2,509	1,734	2,033			2,033
Class of 2017	1,027	401	350	1,078			1,078
Class of 2018	0	626		626			626
Extra	0	42	42	0			0
Total All Funds	53,966	184,641	194,663	43,944	0	0	43,401
Interfund Transfers	0	(29,893)	(29,893)	0	0	0	0
Total	53,966	154,748	164,770	43,944	0	0	43,944

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA NUMBER	MUNIS PROJECT NUMBER	EXPENDITURES
<u>U.S. Department of Education</u>			
Passed-Through Department of Education			
Title I - Grants to Local Educational Agencies	84.010	3104	24,863
Title I - Grants to Local Educational Agencies	84.010	310A	65,153
Title I Cluster			90,016
Title II - Part A -Teacher Quality Enhancement Grants	84.367	4014	2,038
Title II - Part A -Teacher Quality Enhancement Grants	84.367	401A	7,776
Title II Total			9,814
Adult Education Basic Grants to States	84.002	370A	13,548
Adult Education Basic Grants to States	84.002	373A	35,627
Adult Education Basic Grants to States	84.002	375AS	789
Adult Education Basic Grants to States Total			49,964
IDEA - Special Education - Grants to State	84.027	3373	16
IDEA - Special Education - Grants to State	84.027	3374	8,148
IDEA - Special Education - Grants to State	84.027	337A	98,751
IDEA - Special Education - Preschool Grants	84.173	3434	13,199
IDEA - Special Education - Preschool Grants	84.173	343A	10,298
Special Education Cluster			130,412 *
21st Century Learning Center	84.287	5500D	111
21st Century Learning Center	84.287	5503	3,168
21st Century Learning Center	84.287	5503U	4,842
21st Century Learning Center	84.287	5503Z	27,000
21st Century Learning Center	84.287	5504	99,152
21st Century Learning Center Total			134,273
Race to the Top	84.395	4364	871
Race to the Top	84.395	4364P	8,723
Race to the Top	84.395	4364T	27,231
Race to the Top	84.395	436A	71,446
Race to the Top	84.395	436AF	1,217
Race to the Top	84.395	436AL	329
Race to the Top	84.395	436AP	5,438
Race to the Top	84.395	436AT	4,843
Race to the Top	84.395	4521	112
Race to the Top Total			120,210 *
Title IV - Rural and Low Income Schools	84.358	3464	3,091
Title IV - Rural and Low Income Schools	84.358	346A	20,793
Title IV - Rural and Low Income Schools Total			23,884
Total U.S. Department of Education			558,573
<u>U.S. Department of Agriculture</u>			
Passed-Through State Department of Education			
National School Lunchroom	10.555	7750002-14	29,602
National School Lunchroom	10.555	7750002-15	104,934
School Breakfast Program	10.553	7760005-14	10,240
School Breakfast Program	10.553	7760005-15	35,802
Summer Food Service Program	10.559	7690024-14	578
Summer Food Service Program	10.559	7740023-14	5,619
Child Nutrition Cluster			186,775 *
Child & Adult Care Food Program	10.558	7790021-14	2,833
Child & Adult Care Food Program	10.558	7790021-15	10,851
Child & Adult Care Food Program	10.558	7800016-14	158
Child & Adult Care Food Program	10.558	7800016-15	530
Child & Adult Care Food Program			14,372
Pass-Through State Department of Agriculture			
Food Distribution	10.565	057502-10	13,843
Total U.S. Department of Agriculture			214,990
Total Federal Financial Assistance			773,563

* Tested as major program

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Cloverport Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of audit issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs?

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Type of auditor’s report issued on compliance for major programs (unmodified):

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	IDEA Cluster
10.555/10.553/10.559	Child Nutrition Cluster
84.395	Race to the Top

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II – Financial Statement of Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

CLOVERPORT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2015

There were no prior year audit findings.

WHITE AND COMPANY, P.S.C.
Certified Public Accountants
219 South Proctor Knott Avenue
Lebanon, Kentucky 40033
(270) 692-2102
Fax (270) 692-2101

Charles M. White, CPA
Joseph A. Montgomery, CPA
Stephanie A. Abell, CPA

Email charles.white@whitecpas.com

October 13, 2015

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Members of the Board of Education
Cloverport Independent School District
214 West Main, P.O. Box 37
Cloverport, KY 40111

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Auditing Requirements, Appendix II of the independent Auditor's Contract – State Audit Requirements Appendix III to the Independent Auditor's Contract – Audit Extension Request, and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cloverport Independent School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Cloverport Independent School District's basic financial statements, and have issued our report thereon dated October 13, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cloverport Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cloverport Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cloverport Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cloverport Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We noted certain matters that we reported to management of Cloverport Independent School District in a separate letter dated October 13, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

WHITE AND COMPANY, P.S.C.
Certified Public Accountants
219 South Proctor Knott Avenue
Lebanon, Kentucky 40033
(270) 692-2102
Fax (270) 692-2101

Charles M. White, CPA
Joseph A. Montgomery, CPA
Stephanie A. Abell, CPA

Email charles.white@whitecpas.com

October 13, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

Members of the Board of Education
Cloverport Independent School District
214 West Main, P.O. Box 37
Cloverport, KY 40111

Report on Compliance for Each Major Federal Program

We have audited the Cloverport Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Cloverport Independent School District's major federal programs for the year ended June 30, 2015. Cloverport Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contract, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cloverport Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Auditor's Contract – State Audit Requirements Appendix III to the Independent Auditor's Contract – Audit Extension Request, and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cloverport Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cloverport Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Cloverport Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Cloverport Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cloverport Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cloverport Independent School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

WHITE AND COMPANY, P.S.C.
Certified Public Accountants
219 South Proctor Knott Avenue
Lebanon, Kentucky 40033
(270) 692-2102
Fax (270) 692-2101

Charles M. White, CPA
Joseph A. Montgomery, CPA
Stephanie A. Abell, CPA

Email charles.white@whitecpas.com

October 13, 2015

MANAGEMENT LETTER

Members of the Board of Education
Cloverport Independent School District
214 West Main, P.O. Box 37
Cloverport, KY 40111

In planning and performing our audit of the financial statements of Cloverport Independent School District for the year ended June 30, 2015, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Our professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We feel that the District's financial statements are free of material misstatement. However, we offer the following suggestions that we feel will strengthen your organization's internal control structure.

In addition, we have reviewed recommendations made in the audit report for the year ended June 30, 2014, and we have reviewed management's responses to those recommendations. Our findings based upon those prior year recommendations are also summarized below.

Prior Year Recommendation:

The Food Service Fund incurred losses of \$8,251 which has driven the cash position to zero required the General Fund to transfer this amount to the Food Service Fund to cover costs of operations. It was recommended that the District review the revenues and expenses in the Food Service Fund to determine if a price increase is necessary or if expenses can be reduced.

Current Year Finding:

It is noted that the loss in the current year is \$9,022. It is also noted that the Food Service Fund had a positive cash flow in the amount of \$8,736 which alleviated the need for the General Fund to transfer funds to cover operating expenses. We recommend that the District continue to analyze the revenues and expenses in the Food Service Fund to look for ways to continue to improve cash flows and bring the fund to profit.

Prior Year Recommendation:

It was noted during the testing of fundraising receipts at the school activity fund level that the fundraiser worksheet (form F-SA-2B) was not prepared for half of the fundraisers held by the school. The Redbook requires that this form be completed for each fundraiser held for school activity funds. We recommend that the district instruct all club sponsors that they must prepare this form at the completion of each fundraising activity.

Current Year Finding:

During the current year testing we noted that club sponsors are properly preparing the fundraiser worksheet as required by the Redbook.

Prior Year Recommendation:

It was noted during the testing of concessions at the school activity fund level that the inventory control sheet (form F-SA-5) was not being prepared as required. The Redbook requires that this form be completed for all activities where product is being sold and inventory is being maintained. We recommend that the District instruct all club sponsors that they must prepare this form for all sales activities where the school controls the inventory.

Current Year Finding:

During the current year testing we noted that the inventory control sheets are being properly prepared as required by the Redbook.

Current Year Finding:

It was noted during the testing of payroll transaction that there were instances where the substitute food services workers' time sheet was not signed by their direct supervisor approving the time. We recommend that all times sheets be properly reviewed and approved by the direct supervisor of the employee.

Managements Response:

We will instruct the supervisors of hourly employees to ensure that they review and approve time sheets at the end of each pay period.

Current Year Finding:

It was noted during the testing of disbursements at the school activity fund level that there were operating expenses (classroom) supplies paid from the school activity fund account. The Redbook states that operational expenses of the schools are district expenses and not activity fund expenses.

Managements Response:

We will instruct the school administration personnel to ensure that all operating expenses be requested and paid at the district level and not to expend school activity funds on operating expenses.

We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to perform any additional study of these matters or to assist you in implementing the recommendations.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

WHITE AND COMPANY, P.S.C.
Certified Public Accountants
219 South Proctor Knott Avenue
Lebanon, Kentucky 40033
(270) 692-2102
Fax (270) 692-2101

Charles M. White, CPA
Joseph A. Montgomery, CPA
Stephanie A. Abell, CPA

Email charles.white@whitecpas.com

October 13, 2015

Members of the Board of Education
Cloverport Independent School District
214 West Main, P.O. Box 37
Cloverport, KY 40111

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cloverport Independent School District for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 30, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Auditing Findings:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Cloverport Independent School District are described in Note A to the financial statements. As described in Notes A and H to the financial statements, the Cloverport Independent School District changed accounting policies related to accounting and reporting for pensions by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions*, in 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the government-wide financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management had corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 13, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Cloverport Independent School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were not such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Cloverport Independent School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the budgetary comparison information on pages 42 and 43, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this information and we do not express an opinion or provide assurance on it.

Restriction on Use

This information is intended solely for the use of Members of the Board of Education and management of Cloverport Independent School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants